



HOUSE BILL 592: Check-Off Donation Land Trusts.

2019-2020 General Assembly

Committee:	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 15, 2019
Introduced by:	Reps. Richardson, McGrady, Autry, Ager	Prepared by:	Trina Griffin
Analysis of:	First Edition		Committee Co-Counsel

OVERVIEW: *House Bill 592 would allow an individual taxpayer to contribute all or part of an income tax refund to the Conservation Grant Fund, which is administered by the Department of Environmental Quality and provides grants to State and local land management agencies or private nonprofit land trust organizations related to the conservation of land, water, and other natural resources.*

CURRENT LAW: North Carolinians calculate State individual income tax on a two-page form that allows taxpayers to specify an amount they would like to donate for certain purposes. Currently, there are only three purposes for which a taxpayer may make a donation. The authorizing statutes specify whether the donation may be sourced only from an income tax refund or whether the taxpayer may make a contribution regardless of whether the taxpayer is owed a refund. The three eligible recipient entities are:

- The Wildlife Conservation Account to be used for the management, protection, and preservation of wildlife.¹ This provision applies to both corporate and individual taxpayers who are entitled to a refund.
- The NC Education Endowment Fund² to be appropriated by the General Assembly for the North Carolina Teaching Fellows Program. Specifically, the funds may be used for (i) forgivable loans, (ii) mentoring and coaching support to the Program's forgivable loan recipients, and (iii) administration of the Program. This provision applies to both corporate and individual taxpayers who may donate from an income tax refund or through a contribution.
- The Cancer Prevention and Control Branch of the Division of Public Health of the Department of Health and Human Services³ to be used for the early detection of breast and cervical cancer only. This provision applies only to individual taxpayers entitled to a refund and expires on January 1, 2021.

Each additional program eligible for voluntary contributions would require one additional line on the tax form. Future tax law changes may also require additional lines on the tax form. If the capacity of the two-page form is exceeded, then the tax calculation may expand to three pages or require an additional form.

¹ G.S. 105-269.5.

² G.S. 105-269.7.

³ G.S. 105-269.8.

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BILL ANALYSIS:

House Bill 592 would allow an individual taxpayer to make an irrevocable election to direct all or part of a tax refund to the Conservation Grant Fund. Check-off donations would be used for costs related to the conservation of land, water, and other natural resources.

The Conservation Grant Fund is administered by the Department of Environmental Quality for the purpose of stimulating the use of conservation easements, improving the capacity of private nonprofit land trust organizations to accomplish conservation projects, equipping real estate-related professionals to pursue opportunities for conservation, increasing landowner participation in land and water conservation, and providing opportunities to leverage private and other public monies for conservation easements.

Generally speaking, revenue in the Fund is used to make conservation grants to State conservation land management agencies, local government conservation land management agencies, and private nonprofit land trust organizations.

The bill would also require the Department of Revenue (DOR) to provide appropriate language and space on the individual income tax form to make the election and to include in the income tax instructions an explanation that any donations will be used for costs related to the conservation of land, water, and other natural resources. The DOR would be required to transmit the check-off donations to the State Treasurer, and the State Treasurer must distribute the donations to the Conservation Grant Fund.

BACKGROUND: Every state with a broad-based income tax has at least one program eligible for voluntary contributions from taxpayers. For all states, the voluntary contributions are donations from a taxpayer's refund (except checkoffs for political campaigns which are often made from a taxpayer's liability). In 2018, a total of 30 states and the District of Columbia offered anywhere from one to 15 checkoffs on their income tax returns, and 11 states offered more than 15.

New Jersey and Oregon had the most income tax checkoffs available for taxpayers in 2018, offering more than 30 programs that taxpayers could choose from. Virginia taxpayers have 21 choices, but three of those options allow taxpayers to select a specific local foundation to donate to for public libraries, communities and public schools; taxpayers could choose from 29 to 78 foundations, depending on the category. Nebraska and West Virginia had the fewest amounts in the country, with only one checkoff choice.⁴

The growth in popularity of state income tax checkoff contributions has resulted in some administrative challenges. A large number of checkoff programs increases tax processing times and costs, as well as the possibility for errors. Twelve states now use a separate form dedicated to checkoffs. In response to the growth, states are developing processes to manage the number of programs that appear on their income tax forms, such as requiring a minimum amount of total contributions to remain on the income tax form, setting a maximum number of programs that can be listed on the tax return, or setting a sunset on the legislation that added the program to the list of eligible programs.

EFFECTIVE DATE: This bill would become effective for taxable years beginning on or after January 1, 2019.

⁴ *State Income Tax Checkoff Programs*, NCSL LegisBrief, Vol. 27. No. 13, April 2019.